

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7021

BILL NUMBER: HB 1121

NOTE PREPARED: Feb 2, 2004

BILL AMENDED:

SUBJECT: Borrowing for annexation expenses.

FIRST AUTHOR: Rep. GiaQuinta

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill authorizes a city to make loans each year through 2007 to provide services to annexed areas.

Effective Date: Upon passage.

Explanation of State Expenditures: The state would not pay Property Tax Replacement Credits or Homestead Credits on the levy used to retire this debt.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill would permit cities to secure loans not exceeding 5% of the city's nondebt property tax levy each year through 2007 to provide services to annexed areas. The impact would depend on the number of cities annexing areas and the cost of services to those areas. In CY 2002, cities total gross property tax levy, excluding debt service or lease/rental levies, equaled \$351.6 M. (Due to reassessment, the CY 2003 total gross property tax levies have all not been approved.) Based on the 2002 levy, the cities would be able to borrow about \$17.6 M per year in 2004, 2005, 2006, and 2007 for a total of \$70.4 M.

The loans would each carry a term of up to five years. The levies needed to make loan payments would be subject to the city's current maximum levy limitation. Therefore, this bill would not add any additional levy authority to the city.

According to the bill, the city would not have to seek approval to incur this debt from the Local Property Tax

Control Board or the Department of Local Government Finance. The debt issue would also not be subject to the petition/remonstrance procedure for controlled projects.

State Agencies Affected:

Local Agencies Affected: Cities.

Information Sources: Local Government Database.

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